The Real Estate ANALYST

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A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values.....Current Studies.... Surveys....Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

Volume XVI

Number 12

WHO WILL FINANCE OUR RENTAL HOUSING ?

DURING the seven-year period from January 1940 to January 1947 construction costs for the 30-family fireproof apartment increased 89.3 per cent. The standard six-room frame house increased 113.7 per cent. This difference is due to the greater percentage of lumber items to total material items in the frame house than in the reinforced concrete apartment. The 30-family apartment shown by photograph and floor plan on page 103 has been referred to and described in the Real Estate Analysts of December 1932, November 1939 and June 1945. The building, including the garage space below the concrete slab of the court, contains 303,534 cubic feet.

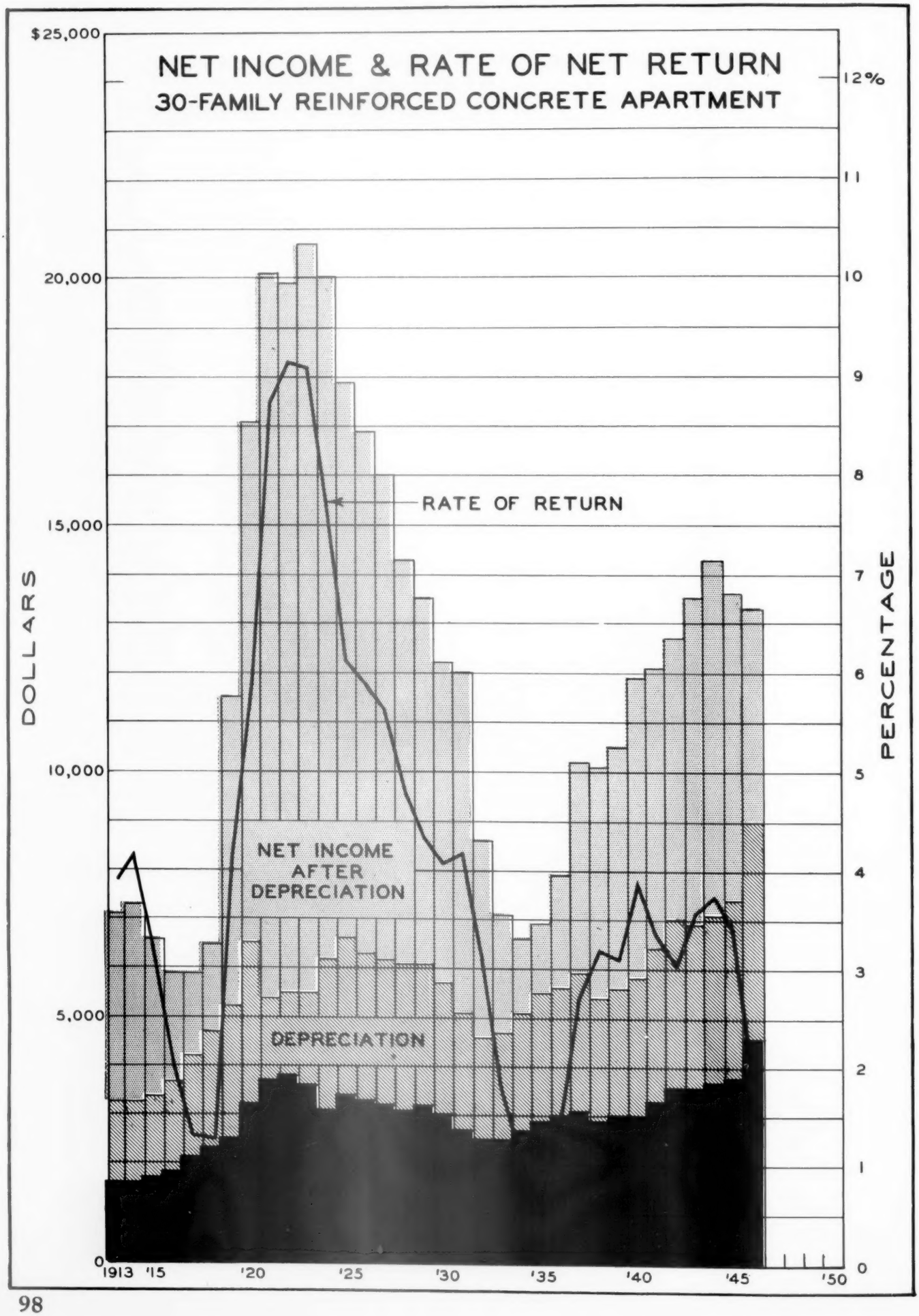
The construction quality of the apartment is above average. Brief specifications include the following items: Footings, foundations, columns, beams and slab over central court are of reinforced concrete; floors and roof slab are a combination of clay tile and reinforced concrete joist construction; exterior curtain walls 13-inch brick; interior partitions 4-inch gyp block and 3-coat plaster construction; floors and wainscots of entrance corridors and stairs are marble; floors and wainscots of bathrooms are of tile; finished flooring is oak. All plumbing, heating and electrical equipment is of good quality. Each apartment is provided with refrigerator, gas stove and an in-a-door bed.

On pages 104 and 105 the cost of building this apartment in St. Louis is given in the chart and table by years from 1913 to 1939, inclusive, quarterly from 1940 through 1944, and monthly from January 1945 through February 1947. It will be noted that costs are broken down into materials, labor and overhead items.

While the St. Louis costs will not apply to other metropolitan cities, it is believed that the variations in costs from year to year are fairly representative and are applicable to most of the larger urban centers. This apartment which was built in St. Louis in 1926 at a cost of $154,592, or 51¢ per cubic foot, could have been built eight years later in 1932 for $107,554, or 35.4¢ per cubic foot. It is estimated that prior to 1926 the peak cost occurred in 1920 when it would have cost $162,203, or 53.5¢ per cubic foot to build.

It will be noticed that costs did not reach the 1926 level again until fifteen years later in August 1941 after defense construction activity had gotten well under way. By February 1947 the cost of constructing this apartment had reached $257,954, or 84.9¢ per cubic foot, which is the highest cost of any period in the history of the United States.

(cont. on page 99)


NET INCOME & RATE OF NET RETURN
30-FAMILY REINFORCED CONCRETE APARTMENT
$25,000
20,000
15,000
10,000
5,000
0
DOLLARS
12%
11
10
9
8
7
6
5
4
3
2
1
0
PERCENTAGE
RATE OF RETURN
NET INCOME AFTER DEPRECIATION
DEPRECIATION
1913
'15
'20
'25
'30
'35
'40
'45
'50

INCOME, PROPERTY EXPENSES, DEPRECIATION & NET RETURN

30-FAMILY REINFORCED CONCRETE APARTMENT

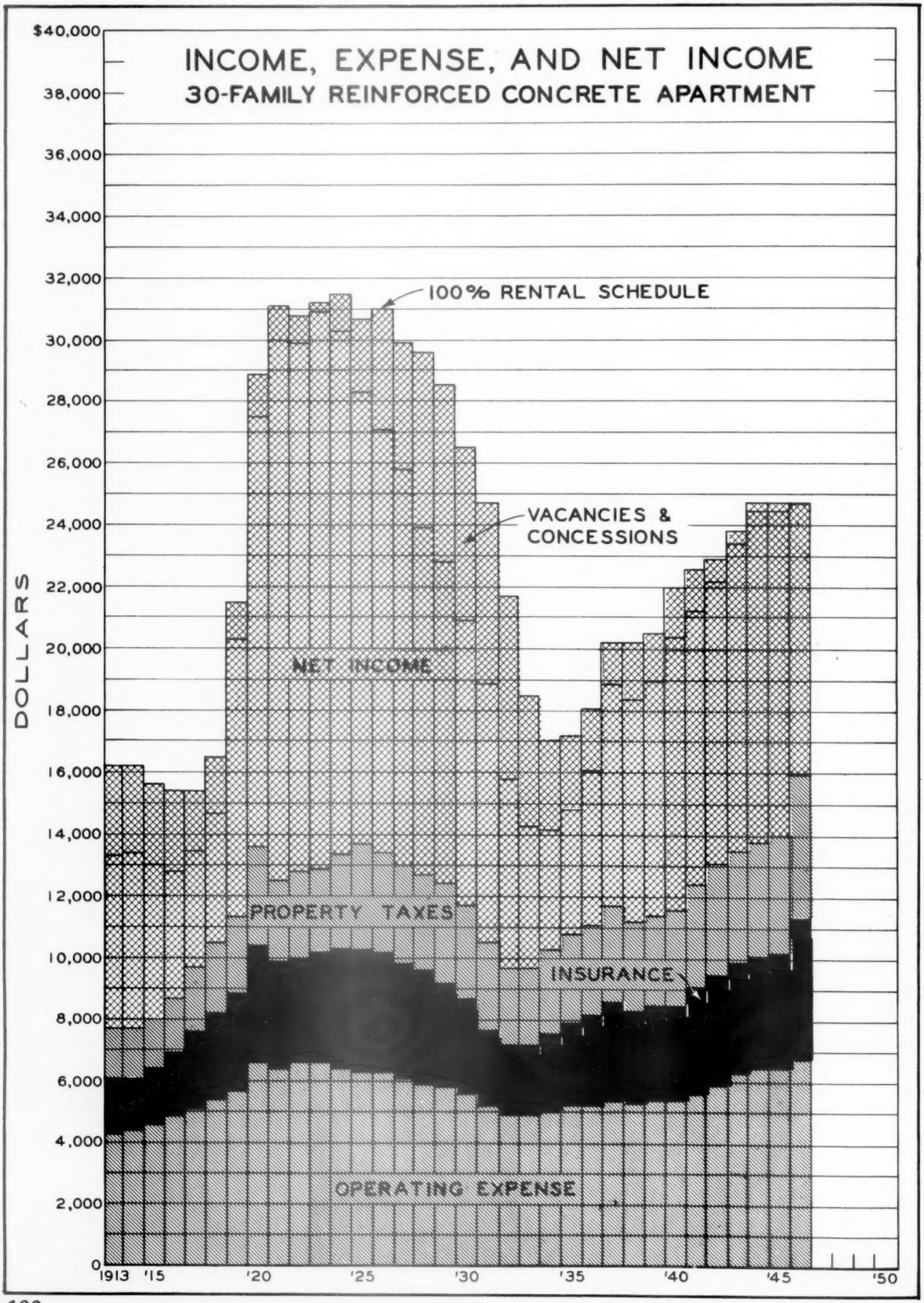
Year	100% Rental Schedule	Vacancies and Concessions	Total Operating Expense	Maintenance and Repair Expense	Property Taxes and Fees	Insurance	Net Income Before Depreciation	Depreciation	Net Return After Depreciation	Net Return to Total Cost
1913	$16,248	$2,988	$4,336	$1,522	$1,558	$257	$ 5,587	$1,691	$3,896	3.92%
1914	16,248	2,898	4,316	1,480	1,610	250	5,694	1,644	4,050	4.17
1915	15,558	2,608	4,591	1,520	1,660	257	4,923	1,687	3,235	3.23
1916	15,368	2,538	4,854	1,775	1,813	285	4,103	1,874	2,229	2.03
1917	15,368	1,898	5,113	2,175	2,063	333	3,786	2,177	1,609	1.29
1918	16,478	1,808	5,418	2,430	2,286	371	4,165	2,430	1,735	1.25
1919	21,508	1,258	5,714	2,663	2,501	406	8,966	2,669	6,297	4.16
1920	28,856	1,396	6,630	3,240	3,226	493	13,871	3,244	10,627	5.90
1921	31,080	1,110	6,393	3,050	2,671	420	17,436	2,772	14,664	8.73
1922	30,830	930	6,611	3,010	2,751	417	17,111	2,737	14,374	9.17
1923	31,226	310	6,597	3,190	2,606	441	18,082	2,899	15,183	9.10
1924	31,550	1,250	6,392	3,395	3,091	469	16,953	3,085	13,868	7.77
1925	30,720	2,470	6,290	3,535	3,346	490	14,589	3,214	11,375	6.13
1926	31,020	3,950	6,305	3,400	3,251	473	13,641	3,092	10,549	5.88
1927	29,920	4,120	6,102	3,285	3,166	455	12,792	2,985	9,807	5.62
1928	29,620	5,720	5,934	3,220	3,146	447	11,153	2,931	8,222	4.80
1929	28,546	5,896	5,842	2,920	3,206	443	10,239	2,905	7,334	4.34
1930	26,480	5,620	5,621	2,692	3,016	374	9,157	2,697	6,460	4.08
1931	24,730	5,830	5,218	2,162	2,731	368	8,421	2,410	6,011	4.19
1932	21,656	5,856	4,922	1,935	2,496	327	6,120	2,110	4,010	3.10
1933	18,456	4,156	4,912	1,990	2,508	336	4,554	2,209	2,345	1.80
1934	17,018	2,818	5,036	2,200	2,698	373	3,893	2,443	1,450	1.04
1935	17,198	2,438	5,178	2,325	2,868	394	3,995	2,584	1,411	0.96
1936	18,056	1,946	5,160	2,646	2,948	403	4,953	2,653	2,300	1.52
1937	20,160	1,310	5,402	2,805	3,098	427	7,118	2,807	4,311	2.70
1938	20,160	1,720	5,348	2,570	2,868	392	7,262	2,573	4,689	3.20
1939	20,530	1,550	5,384	2,660	2,978	407	7,551	2,660	4,891	3.11
1940	21,980	1,539	5,384	2,744	3,030	418	8,865	2,745	6,120	3.89
1941	22,580	1,355	5,561	3,058	3,310	465	8,831	3,060	5,771	3.34
1942	22,860	686	5,914	3,058	3,610	510	9,082	3,345	5,737	3.06
1943	23,760	360	6,315	3,100	3,570	504	9,911	3,310	6,601	3.56
1944	24,660	247	6,476	3,100	3,690	522	10,625	3,440	7,185	3.74
1945	24,660	247	6,476	3,200	3,820	542	10,375	3,570	6,805	3.42
1946	24,660	-	6,788	3,950	4,610	616	8,696	4,393	4,303	1.79

(cont. from page 97)

Above are given the gross income, the effective gross income, property expenses, and net income by years from 1913 to 1946. The rental income by years was figured from rental data and expenses were calculated from records collected in the appraisal of hundreds of apartment properties. It will be noticed that Gross Rents from a low in 1934 (excluding the lows from 1913 to 1918) increased in 1946 to 78 per cent of the peak rents in 1924, while Property Expenses, which include Operating Expense (comprising janitor, utilities, heating and management), Maintenance and Repair Expense, and Fixed Expenses (comprising property taxes, fees and insurance), are today 20 per cent above the 1924 level.

For the period from 1941 to 1945 the Office of Price Administration was consulted to determine the rental increases which probably would have been allowed under rent control regulations. A large part of net income increase during this period was due to increased occupancy. By comparison of the construction costs with the net income as shown on the chart on page 100 it is evident that there would have been little incentive to build such an apartment even if construction had been permitted. What will be the incentive in the future?

(cont. on page 101)


INCOME, EXPENSE, AND NET INCOME
30-FAMILY REINFORCED CONCRETE APARTMENT
DOLLARS
$40,000
38,000
36,000
34,000
32,000
30,000
28,000
26,000
24,000
22,000
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
100% RENTAL SCHEDULE
VACANCIES & CONCESSIONS
NET INCOME
PROPERTY TAXES
INSURANCE
OPERATING EXPENSE
1913
'15
'20
'25
'30
'35
'40
'45
'50

(cont. from page 99)

From January 1940 to January 1947 the labor costs and the material costs of the fireproof apartment played leap-frog up the scale. Labor costs for the building increased 120 per cent during the period, making their most spectacular rise in the two months from June 1945 to August 1945 when they increased from $50,518 to $71,299. The cost of materials for the building increased from $74,200 in January 1940 to $133,624 in January 1947, a rise of 80 per cent. As we have pointed out before, the rise in material prices following decontrol was not in most cases an actual price increase. Instead, it represented the "legalizing" of former black market prices. This study confirms the fact that while material prices and procurement were a thorn of uncertainty in the side of the contractor in estimating construction costs, labor and its unpredictable attitude regarding wages and working agreements was capable of causing much more serious miscalculations in arriving at the final cost estimate.

The uncertainty of the price level and of labor's attitude have indirectly fostered still higher construction costs by forcing the building contractor, for his own protection, to add a substantial amount to his estimate. In most cases, the contractor has refused to quote a final figure, and has simply been hired on a cost-plus basis. Still other contractors have enlarged the scope of their operations and have become land developers. By writing up the value of the lots they develop, they give themselves a hedge against the rapidly rising labor and material costs of their buildings.

Even though construction costs are at their highest in the nation's history, they do not constitute the only obstacle to the building of new rental housing. In the past, high construction costs have not stopped our building booms. As long as rents are free to rise, the rate of net return will also rise and provide the necessary inducement for capital to go along in spite of high building cost. This is illustrated by the chart on the following page. It will be seen that during the years 1920 through 1927, the net return rate stayed above 5 per cent during the period of our last building boom, with construction costs unusually high. Despite this, 5,772,000 housing units were started during this eight-year period, an average of 722,000 per year. The reason rental housing was built during this period (or any other period for that matter) was because freely rising rents kept pace with increasing construction costs and returned a satisfactory yield to the investors.

Today, although construction costs have risen to unprecedented levels, the same principle holds true.

While many would-be home owners are now priced out of the home owning market by exceedingly high prices on old and new homes, a tremendous demand still exists for rental housing. Granted that the bulk of this demand is for housing at controlled rents, let us see what would happen to the rate of net return on the 30-family apartment building if rents or construction costs were adjusted.

The chart on page 98 shows that the rate of net return is down to 1.79 per cent based on an annual gross rental of $24,660.

This chart has been prepared in order to indicate the incentive to construct

(cont. on page 102)

(cont. from page 101)

such an apartment during the period from 1913 to date. Depreciation has been calculated at 2 per cent of the construction cost for each year. The net income, after deducting taxes and depreciation, is estimated in dollars and figured as the percentage of the total cost of land and improvements for each year.

The net return of 1.79 per cent is the return on the average cost of constructing the building during 1946 ($219,673) plus $20,000 for the land, or on a total outlay of $239,673. Of course, 1.79 per cent return is ridiculously low and certainly offers no incentive to risk capital. If we assume that a 6 per cent net return, after depreciation, would have to be offered, the following changes in the rent-cost relationship would have to take place before such earnings could be expected.

1. At present rentals of $24,660 the building could cost no more than $94,000 to build. This represents a drop of 64 per cent from the January 1947 figure of $257,954.

2. At this present cost, plus $20,000 for the land, rents would have to rise 55 per cent.

3. If construction costs drop 35 per cent (or to $168,000) rents must rise 25 per cent.

All three of the above calculations are based on operative and fixed expenses remaining the same and on a 100 per cent occupancy of the building.

Let us follow this line a little farther. To begin with, we feel that 6 per cent, after depreciation, is the net return rate at which risk capital could be induced to participate. If this be the case, let us consider these three changes in the rent-cost relationship to see whether any of them may take place at some definite time in the future:

1. A drop of 64 per cent in the construction cost of this building will probably never take place. A drop of this magnitude would place the cost at $94,000, which is approximately the cost of the building in 1916. Even in the depths of the depression in 1932 the cost sank only to $107,554. This fall to $107,554 started from a high of $162,203 in 1920 and represented a reduction of approximately 34 per cent. With this in view, it does not seem possible that the economy of the nation can weaken to such an extent as to allow a 64 per cent collapse in the construction cost of this building. If, by some chance, a 64 per cent drop in the construction cost of this building did occur, the country would be so deep in a depression that it would be impossible to rent the building.

2. It is very difficult to estimate what the government may do concerning rents, or how soon it will do it.

In appraising the contradictory and at times incoherent utterings emanating from Washington, we find the future of rent control unpredictable at this time. Talk of increases in rents put the limit at 10 per cent or 15 per cent. Mention of

(cont. on page 108)

CONSTRUCTION COSTS OF A 30 UNIT REINFORCED CONCRETE APARTMENT
IN SAINT LOUIS

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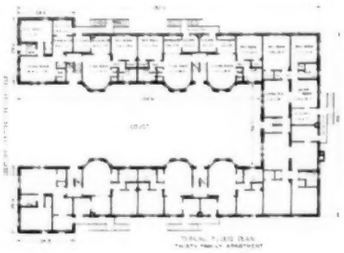
COST OF LAND IS NOT INCLUDED



BUILDING COSTS IN DOLLARS

$300,000 290,000 280,000 270,000 260,000 250,000 240,000 230,000 220,000 210,000 200,000 190,000 180,000 170,000 160,000 150,000 140,000 130,000 120,000 110,000 100,000 90,000 80,000 70,000 60,000 50,000 40,000 30,000 20,000 10,000 0

1913 1915 1920 1925 1930 1935 1940 1945 1950

TOTAL CONSTRUCTION COSTS

OVERHEAD

LABOR

MATERIALS

TOTAL OVERHEAD
Builders Profit
Taxes, Insurance and Interest During Construction
Permits, Fees & Inspections
TOTAL LABOR COST
Excavators & Misc.
Plumbers, Electricians, Steam Fitters & Sheet Metal Workers
Lathers & Plasters
Roofers, Carpenters & Painters, Decorators, & Supervison
TOTAL MATERIAL COST
Plumbing, Heating, Electrical Materials, Sheet Metal, Iron, Hardware, & Miscellaneous
Lumber, Millwork, Roofing, Flooring, Paint, Etc.
Plastering Materials
Concrete, Clay Tile & Reinforcing
Brick, Terra Cotta, Stone, Marble & Tile

VARIATION IN COST OF A THIRTY-FAMILY REINFORCED CONCRETE APARTMENT IN SAINT LOUIS

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MATERIAL

1. Cost of face brick, dobies, flue lining, terra cotta, cut stone, marble and tile.
2. Cost of concrete, claytile and reinforcing.
3. Cost of all plastering materials.
4. Cost of all lumber, flooring, millwork, roofing, paint, etc.
5. Cost of all materials for plumbing, heating, electrical work, sheet metal work, iron work, hardware and special equipment.
6. TOTAL MATERIAL COST.

LABOR

7. Cost of setting all stone, tile and marble and laying all brick.
8. Cost of carpentry, roofing, flooring, painting, decorating, and builder's general supervision.
9. Cost of labor on plastering.
10. Cost of installing plumbing material and fixtures, wiring, heating plant and sheet metal work.
11. Cost of excavation and miscellaneous.
12. TOTAL LABOR COST.

OVERHEAD

13. Cost of all city permits, utility connection costs, plans and engineering fees.
14. Cost of interest during construction and taxes and insurance.
15. Estimated profit made by the builder - 7%.
16. TOTAL OVERHEAD COST.
17. TOTAL COST OF CONSTRUCTION.

YEAR	MATERIAL						LABOR						OVERHEAD				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1913	$10,584	$ 5,977	$3,642	$12,537	$14,815	$47,555	$ 7,987	$ 7,217	$4,630	$5,367	$1,900	$27,101	$1,445	$ 3,143	$ 5,320	$ 9,908	$ 84,564
1914	10,654	5,427	3,642	12,659	13,865	46,247	7,987	7,277	4,630	5,367	1,900	27,161	1,445	3,103	5,250	9,798	83,206
1915	10,994	5,487	3,642	12,640	14,260	47,023	7,957	7,277	4,595	5,597	1,900	27,326	1,495	3,188	5,300	9,983	84,332
1916	12,184	7,389	3,587	13,336	18,296	54,792	8,307	7,326	4,690	5,777	1,900	28,000	1,545	3,473	5,900	10,918	93,710
1917	13,534	10,693	4,025	14,100	23,867	66,219	9,417	7,953	4,880	5,954	1,900	30,104	1,720	3,973	6,850	12,543	108,866
1918	15,724	10,157	5,396	19,330	25,974	76,581	9,574	8,600	5,020	6,084	1,900	31,178	1,635	4,428	7,700	13,763	121,522
1919	19,574	11,385	6,014	22,046	25,679	84,698	10,698	9,230	5,330	6,326	2,120	33,704	1,770	4,863	8,400	15,033	133,435
1920	24,210	15,110	7,938	27,558	30,608	105,424	10,351	13,261	5,090	7,414	2,710	38,826	2,070	5,863	10,020	17,953	162,203
1921	20,193	11,220	6,890	19,912	24,134	82,349	11,101	13,483	5,450	7,527	2,710	40,271	2,010	5,248	8,700	15,958	138,578
1922	20,281	10,010	6,359	20,818	23,655	81,123	11,024	12,528	5,560	8,044	2,710	39,866	2,020	5,218	8,600	15,838	136,827
1923	22,230	11,005	6,385	21,905	23,910	85,435	11,933	13,696	5,560	8,560	3,100	42,849	2,220	5,313	9,150	16,683	144,967
1924	23,130	10,955	6,730	19,885	24,583	85,283	14,538	16,213	6,840	10,087	3,380	51,058	2,620	5,548	9,750	17,918	154,259
1925	22,210	10,785	6,678	19,305	30,898	89,876	15,832	16,360	6,910	9,497	3,380	51,979	2,920	5,888	10,020	18,828	160,683
1926	21,046	10,240	6,029	18,192	30,475	85,982	15,162	16,440	6,100	9,205	3,380	50,287	2,870	5,703	9,750	18,323	154,592
1927	20,231	10,020	6,078	16,494	28,996	81,819	14,995	16,380	6,000	9,062	3,380	49,817	2,670	5,537	9,400	17,607	149,243
1928	19,754	10,020	5,893	16,227	28,035	79,929	14,474	16,380	5,720	9,315	3,380	49,269	2,670	5,427	9,250	17,347	146,545
1929	19,120	10,160	5,631	17,067	28,385	80,363	13,598	16,462	5,074	9,306	3,477	47,917	2,649	5,170	9,160	16,979	145,259
1930	18,630	8,973	5,952	14,737	26,499	74,791	13,469	13,536	4,537	9,296	3,160	43,998	2,549	5,057	8,500	16,106	134,895
1931	16,426	7,829	5,719	12,847	24,066	66,887	11,800	11,641	3,960	9,285	2,370	39,056	2,465	4,513	7,600	14,578	120,521
1932	14,416	8,015	5,796	11,813	21,354	61,394	9,819	10,090	3,270	7,826	2,080	33,085	2,260	4,065	6,750	13,075	107,554
1933	18,150	8,650	5,570	15,500	18,030	65,900	9,180	8,010	3,000	7,460	1,970	29,620	1,990	6,116	6,826	14,932	110,452
1934	19,950	9,050	6,600	19,890	21,100	76,590	9,180	8,010	3,000	7,460	1,970	29,620	1,745	6,620	7,557	15,922	122,132
1935	19,950	8,930	6,486	18,800	22,150	76,316	11,880	9,980	3,805	7,460	2,250	35,375	1,700	7,887	7,937	17,524	129,215
1936	19,480	9,180	5,700	17,600	23,250	75,210	12,700	11,650	4,300	7,460	2,815	38,925	1,855	8,546	8,130	18,531	132,666
1937	20,400	9,500	5,845	20,290	23,600	79,635	13,300	12,880	4,145	6,685	2,815	39,825	2,140	10,200	8,560	20,900	140,360
1938	18,620	9,300	5,760	17,770	22,420	73,870	11,750	11,100	3,820	6,100	2,250	35,020	2,155	9,850	7,770	19,775	128,665

	1935	19,950	8,930	6,486	18,800	22,150	76,316	11,880	9,980	3,805	7,460	2,250	35,375	1,700	7,887	7,937	17,524	129,215
	1936	19,480	9,180	5,700	17,600	23,250	75,210	12,700	11,650	4,300	7,460	2,815	38,925	1,855	8,546	8,130	18,531	132,666
	1937	20,400	9,500	5,845	20,290	23,600	79,635	13,300	12,880	4,145	6,685	2,815	39,825	2,140	10,200	8,560	20,900	140,360
	1938	18,620	9,300	5,760	17,770	22,420	73,870	11,750	11,100	3,820	6,100	2,250	35,020	2,155	9,850	7,770	19,775	128,665
	1939	18,600	9,190	5,760	17,680	23,720	74,950	13,620	11,825	5,190	6,100	2,720	39,455	2,230	10,300	8,150	20,680	135,085
Ja	1940	18,570	9,220	5,810	18,850	21,750	74,200	13,540	11,200	5,340	6,100	2,815	38,995	2,255	9,806	8,768	20,829	134,024
Ap	1940	18,110	9,220	5,810	18,630	21,980	73,750	13,540	11,200	5,340	6,100	2,815	38,995	2,255	9,778	8,734	20,767	133,512
Jl	1940	18,110	9,160	5,810	18,860	21,980	73,920	14,590	11,200	5,690	6,800	2,815	41,095	2,255	10,053	8,913	21,221	136,236
O	1940	18,110	9,150	6,030	22,410	21,980	77,680	13,700	11,520	5,650	6,910	2,815	40,595	2,255	10,233	9,153	21,641	139,916
Ja	1941	19,050	9,270	6,030	22,800	22,500	79,650	14,890	13,120	6,120	6,910	3,660	44,700	2,255	10,866	9,623	22,744	147,094
Ap	1941	18,950	9,300	5,940	21,800	22,450	78,440	15,320	13,410	5,970	6,910	3,800	45,410	2,255	10,890	9,592	22,737	146,587
Jl	1941	19,400	9,320	6,530	24,250	22,450	81,950	15,950	14,930	6,080	6,910	3,800	47,670	2,255	11,384	10,028	23,667	153,287
O	1941	19,490	9,330	6,650	24,100	24,000	83,570	17,890	16,200	6,180	8,000	3,800	52,070	2,255	12,036	10,495	24,786	160,426
Ja	1942	19,490	9,330	6,704	24,850	25,800	86,174	18,110	16,500	6,310	8,000	3,940	52,860	2,255	12,305	10,752	25,312	164,346
Ap	1942	21,046	9,560	6,704	25,500	28,500	91,310	18,110	16,500	6,310	8,000	3,940	52,860	2,255	12,615	11,132	26,002	170,172
Jl	1942	21,046	9,560	6,704	25,200	28,500	91,010	18,190	16,680	6,210	8,640	3,940	53,660	2,255	12,698	11,174	26,127	170,797
O	1942	21,046	9,560	6,704	25,810	28,500	91,620	16,320	14,900	6,210	6,910	3,800	48,140	2,255	12,029	10,782	25,066	164,826
Ja	1943	21,046	9,560	6,540	25,900	28,500	91,546	16,320	14,900	6,210	6,910	3,800	48,140	2,255	12,021	10,777	25,053	164,739
Ap	1943	21,046	9,560	6,540	25,900	28,500	91,546	16,320	14,900	6,210	6,910	3,800	48,140	2,255	12,021	10,777	25,053	164,739
Jl	1943	21,046	9,560	6,540	25,900	28,500	91,546	15,500	13,900	6,000	6,910	3,800	46,110	2,255	11,773	10,617	24,645	162,301
O	1943	21,046	9,560	6,910	29,000	28,500	95,016	15,500	13,900	6,000	6,910	3,800	46,110	2,255	11,984	10,875	25,114	166,240
Ja	1944	21,046	9,560	6,910	31,250	28,500	97,266	15,500	13,900	6,000	6,910	3,800	46,110	2,255	12,121	11,043	25,419	168,795
Ap	1944	21,046	9,560	6,910	32,450	28,500	98,466	15,500	13,900	6,000	6,910	3,800	46,110	2,255	12,193	11,132	25,580	170,156
Jl	1944	21,046	9,560	7,000	32,450	28,500	98,556	15,500	13,900	6,000	6,910	3,800	46,110	2,255	12,200	11,138	25,593	170,259
O	1944	22,000	9,920	7,000	32,450	28,500	99,870	16,850	13,900	6,000	6,910	5,340	49,000	2,255	12,648	11,464	26,367	175,237
Ja	1945	22,400	9,920	7,000	33,100	28,500	100,920	17,220	15,200	6,000	6,910	5,340	50,670	2,255	12,921	11,674	26,850	178,440
F	1945	22,400	10,150	7,000	33,100	28,500	101,150	17,220	15,200	6,000	6,910	5,340	50,670	2,255	12,936	11,690	26,881	178,701
Mr	1945	22,400	10,150	7,000	33,100	28,500	101,150	17,220	15,200	6,000	6,910	5,340	50,670	2,255	12,936	11,690	26,881	178,701
Ap	1945	22,400	10,150	7,000	33,100	28,500	101,150	17,220	15,200	6,000	6,910	5,340	50,670	2,255	12,936	11,690	26,881	178,701
My	1945	22,400	10,150	7,000	33,100	28,500	101,150	17,220	15,200	6,000	6,910	5,340	50,670	2,255	12,936	11,690	26,881	178,701
Je	1945	21,425	9,574	6,825	33,619	28,403	99,846	17,103	15,174	5,990	6,904	5,347	50,518	2,255	13,122	11,550	26,927	177,291
Jl	1945	21,425	9,574	6,825	33,619	28,403	99,846	17,315	16,637	7,308	8,054	5,347	54,661	2,255	13,650	11,950	27,855	182,362
Ag	1945	21,635	9,912	6,927	33,619	28,403	100,496	23,243	22,292	8,632	10,936	6,196	71,299	2,255	15,808	13,210	31,273	203,068
S	1945	21,635	9,912	6,927	33,437	28,403	100,314	23,243	22,292	8,632	10,936	6,196	71,299	2,255	15,795	13,200	31,250	202,863
O	1945	23,466	10,373	6,994	33,437	28,403	102,673	23,243	22,292	8,632	10,936	6,196	71,299	2,255	15,940	13,420	31,615	205,587
N	1945	23,466	10,373	6,994	33,437	29,073	103,343	23,243	22,292	8,632	10,936	6,196	71,299	2,255	15,980	13,500	31,735	206,377
D	1945	23,466	10,373	6,994	33,437	29,073	103,343	23,243	22,292	8,632	10,936	6,196	71,299	2,255	15,980	13,500	31,735	206,377
Ja	1946	23,487	10,465	7,047	33,437	29,073	103,509	23,243	22,292	8,998	10,936	6,196	71,665	2,255	16,038	13,540	31,833	207,007
F	1946	23,487	10,465	7,047	33,437	29,073	103,509	23,243	22,292	8,998	10,936	6,196	71,665	2,255	16,038	13,540	31,833	207,007
Mr	1946	23,487	10,527	7,047	33,837	29,073	103,971	23,243	22,292	8,998	10,936	6,196	71,665	2,255	16,066	13,600	31,921	207,557
Ap	1946	24,982	10,639	7,047	33,837	30,475	106,980	25,321	22,292	9,199	10,936	6,196	73,944	2,255	16,530	14,000	32,785	213,709
My	1946	24,982	10,639	7,047	34,201	30,780	107,649	25,321	22,292	9,199	10,936	6,196	73,944	2,255	16,579	14,020	32,854	214,447
Je	1946	26,623	11,039	7,054	34,201	31,389	110,306	25,427	23,729	9,199	10,936	6,196	75,487	2,255	16,939	14,300	33,494	219,287
Jl	1946	26,623	11,039	7,054	34,220	32,303	111,239	25,427	23,729	9,199	10,936	6,196	75,487	2,255	16,995	14,400	33,650	220,376
Ag	1946	26,623	11,039	7,054	34,583	33,339	112,638	25,427	23,729	9,479	10,936	6,196	75,767	2,255	17,189	14,600	34,044	222,449
S	1946	26,623	11,346	7,789	35,420	34,650	115,828	25,427	23,729	9,479	11,506	6,196	76,337	2,255	17,383	14,800	34,438	226,603
O	1946	26,623	11,346	7,789	35,984	34,650	116,392	25,427	23,729	9,479	11,506	6,196	76,337	2,255	17,417	14,820	34,492	227,221
N	1946	26,623	11,346	8,057	43,260	34,650	123,936	25,427	23,729	9,479	11,506	6,196	76,337	2,255	17,875	15,400	35,530	235,803
D	1946	23,992	11,919	8,857	49,500	36,814	131,082	25,427	23,729	9,479	11,506	6,196	76,337	2,255	18,312	16,000	36,567	243,986
Ja	1947	24,013	12,278	9,399	51,120	36,814	133,624	28,505	25,482	11,084	13,964	6,591	85,626	2,255	19,649	16,800	38,704	257,954
F	1947	24,013	12,278	9,399	51,120	36,814	133,624	28,505	25,482	11,084	13,964	6,591	85,626	2,255	19,649	16,800	38,704	257,954

PURCHASING POWER OF THE DOLLAR DECREASES

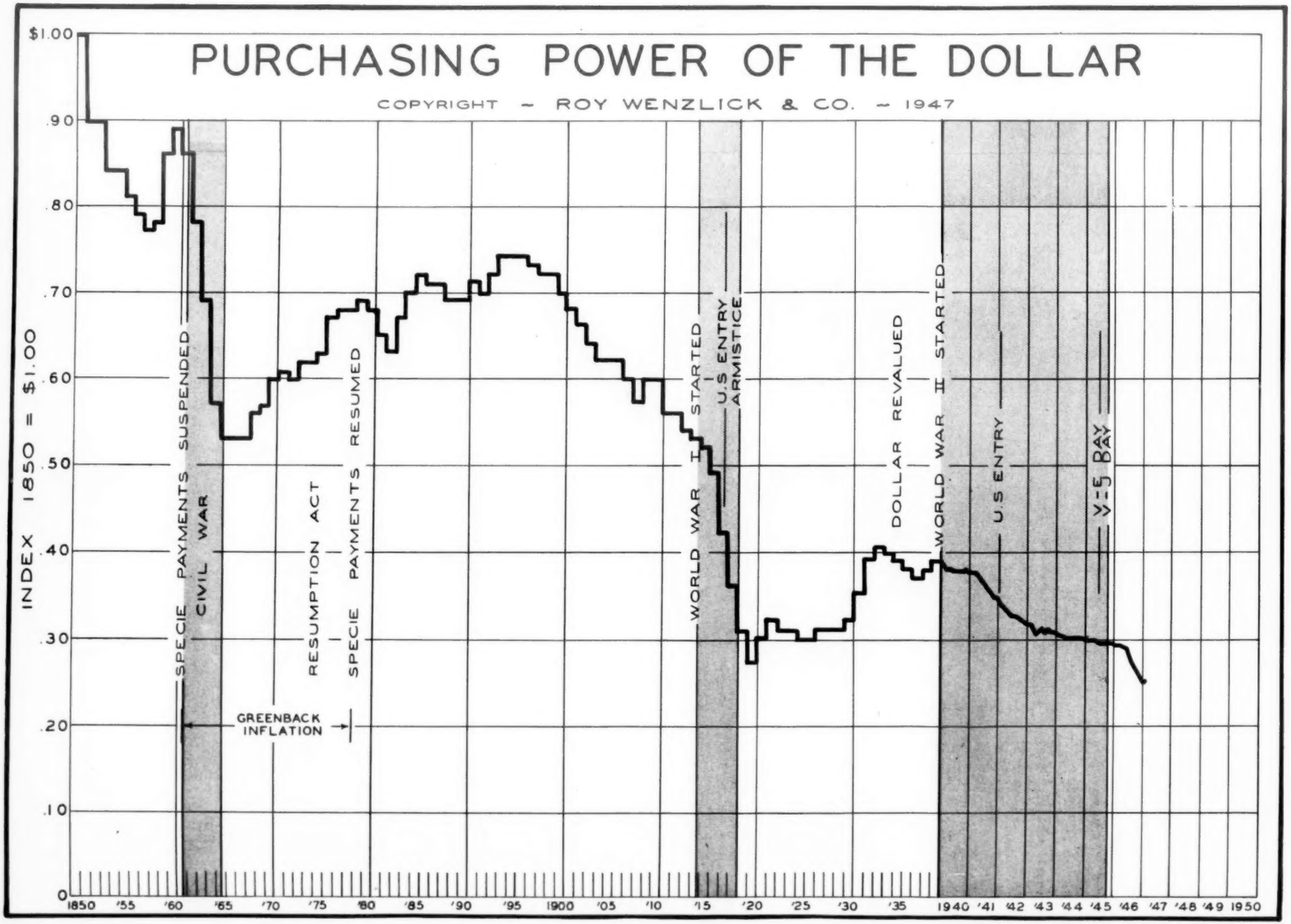
THE chart on page 107 might easily be entitled "The Decreasing Purchasing Power of the Dollar." The term "Purchasing Power of the Dollar" is often confusing. Reduced to its simplest form it answers the question "How much will the dollar buy?" Before answering this question one must decide what commodity and services should be included and whether the wholesale or retail dollar is under discussion. For instance, today the purchasing power of the rent dollar is relatively high, whereas the purchasing power of the food dollar is low. Inasmuch as most people are retail buyers and are particularly interested in the so-called cost of living items, our purchasing power of the dollar index refers to the retail dollar of the average American family.

After a bad slump during the Civil War period, the dollar slowly inched its way back toward recovery. This long period of convalescence ended in 1896, and since then, with few minor interruptions, the trend of the retail dollar's purchasing power has been steadily downward. While many factors combine to determine this power, one factor exerting a profound influence on its long-range trend is the wage level of the country.

Following the Spanish-American War industry expanded at a phenomenal rate and within a surprisingly short time we became the leading industrial nation of the world. The labor-saving machinery introduced in this period, all other things being equal, would have brought prices down and would have increased the purchasing power of the dollar. During this time, however, wages increased faster than production, with the result that dollar prices increased slowly, and the value of the dollar declined. The actual purchasing power of the individual, however, increased.

Another determining factor in the value of the dollar is the amount of money and credit available. Whenever the supply of money and credit exceeds the supply of goods and services, the value of money diminishes. In times of war or depression, the government has frequently followed the practice of "clipping the coinage" to finance the war, or to provide relief for the unemployed. This increase in the amount of money in circulation without a proportionate increase in the production of goods and services, causes prices to rise and the value of the dollar to fall. Our most recent experience with the dollar's decline began with the Roosevelt pump-priming relief programs in the middle thirties. While these projects were of financial benefit to their participants, few if any goods and services were produced by them. Shortly following this increase in the money supply came World War II, and the most prodigious government expenditures in history. Finding it impossible to finance the war through taxation alone, the government adopted the financial policy of tremendously expanding the amount of credit and money in circulation.

This method of financing placed more money in the hands of the people than ever before. This enormous supply of money, coupled with the curtailed and lagging production of consumer goods and services, has helped bring the dollar to its present low level. When the Federal budget balances, and production hits its full capacity, the value of the dollar will start moving slowly back up the scale.


PURCHASING POWER OF THE DOLLAR
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INDEX 1850 = $1.00
$1.00
.90
.80
.70
.60
.50
.40
.30
.20
.10
0
SPECIE PAYMENTS SUSPENDED
CIVIL WAR
RESUMPTION ACT
SPECIE PAYMENTS RESUMED
GREENBACK INFLATION
WORLD WAR I STARTED
U.S ENTRY
ARMISTICE
DOLLAR REVALUED
WORLD WAR II STARTED
U.S ENTRY
V-E DAY
V-J DAY
1850 '55 '60 '65 '70 '75 '80 '85 '90 '95 1900 '05 '10 '15 '20 '25 '30 '35 1940 '41 '42 '43 '44 '45 '46 '47 '48 '49 1950

LUMBER PRICES AT ALL-TIME HIGH

SINCE early 1940 lumber prices have increased 150 per cent, making their most impressive gain since V-J Day. They are now 61 per cent above the V-J Day level and 50 per cent above the previous peak reached in 1920. The increases since the removal of price control simply reflect increases which took place earlier under the black market. A small percentage of the lumber industry itself is acutely aware that its prices are too high and through the associations has taken a strong stand, condemning those responsible for indiscriminate price increases. More progressive members of the lumber industry fear that continued high prices may encourage still wider use of ever-increasing lumber substitutes and that a considerable portion of lumber sales will be irrevocably lost.

Some of this price increase is justified by rising wages and in reduced labor efficiency. (The Department of Labor estimates that it requires 22 per cent more labor to produce a thousand board feet of lumber in 1946 than it did in 1939.)

Indications are that, while the lumber supply will be tight, enough will be available to meet the demands of the 1947 housing program.

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(cont. from page 102)

complete Federal rent decontrol brings forth much talk of State control.

While we are not sure what will happen, we are reasonably sure that a 55 per cent rise won't take place. A rent jump of this size would place the rents 11 per cent above the previous high level of 1924, and while this rise would be compatible with the other price and wage increases in our economic structure, it is improbable that it will be allowed to happen. Even if rent control is completely abandoned by the Federal government, it will probably be continued by State or local government in all but a few scattered areas. Past experience with rent control in foreign countries has shown that it is one of the most difficult of all government controls to do away with.

3. In considering the third possible change in the rent-cost relationship, a 25 per cent rise in rents and a 35 per cent drop in construction costs, our guess is that a quick drop will not take place. Instead, a gradual decline to a point 30 per cent to 35 per cent below present construction cost levels seems scheduled to slide from late 1947 to 1955.

While there is a possibility of an upward adjustment in rents and a downward adjustment in construction costs, such as occurred from 1920 to 1922 (rents rose 18 per cent and costs dropped 20), it will probably not occur in so short a period.

After considering the probabilities of these three changes in the rent-cost relationship, we believe that during the present building boom private capital will find new apartment construction very unattractive unless the loans are fully insured by the FHA, and will for the most part do very little uninsured financing in this field. The FHA will eventually own many apartment buildings.

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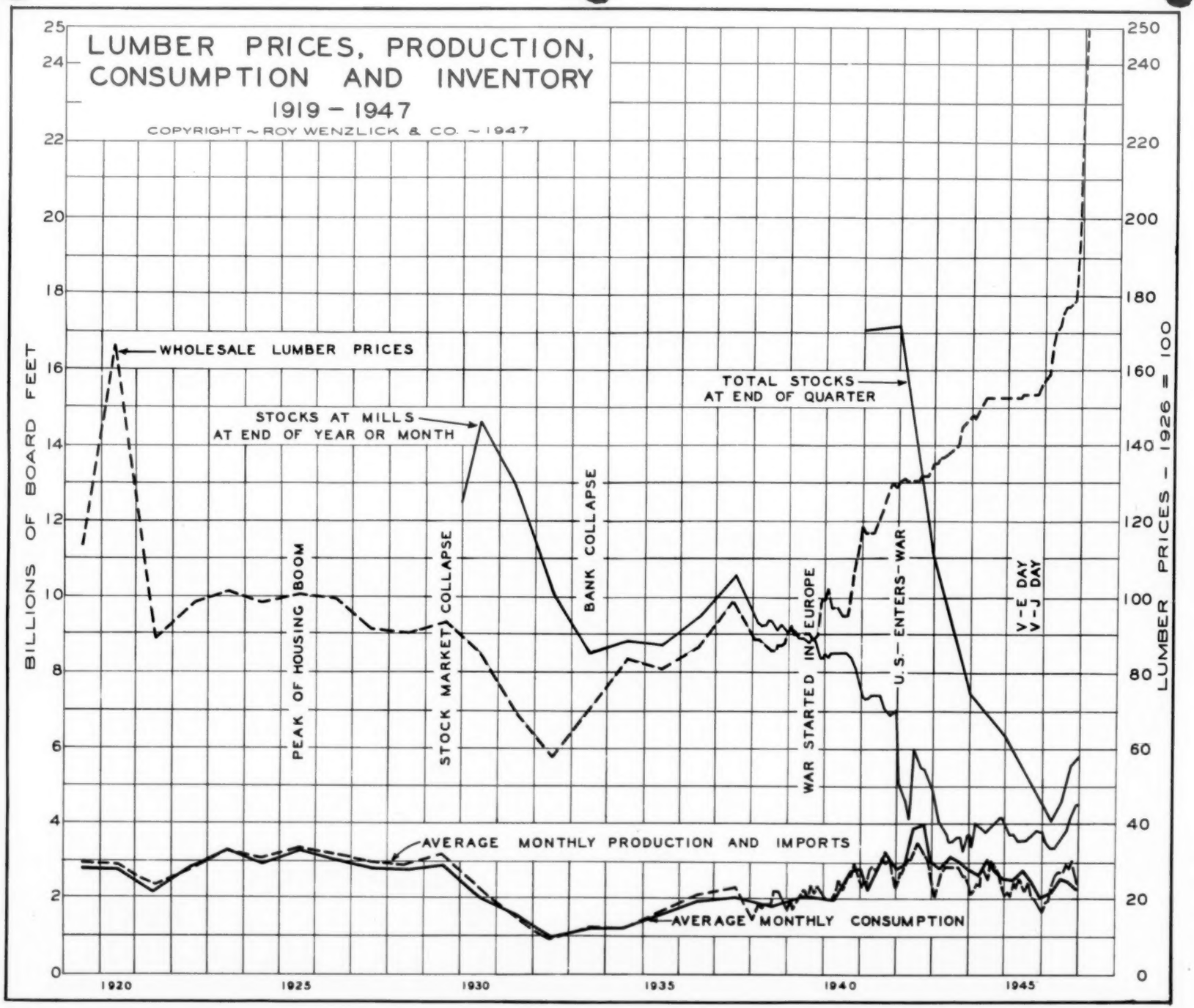
LUMBER PRICES, PRODUCTION, CONSUMPTION AND INVENTORY
1919 – 1947
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BILLIONS OF BOARD FEET
LUMBER PRICES – 1926 = 100
WHOLESALE LUMBER PRICES
STOCKS AT MILLS AT END OF YEAR OR MONTH
TOTAL STOCKS AT END OF QUARTER
AVERAGE MONTHLY PRODUCTION AND IMPORTS
AVERAGE MONTHLY CONSUMPTION
PEAK OF HOUSING BOOM
STOCK MARKET COLLAPSE
BANK COLLAPSE
WAR STARTED IN EUROPE
U.S. ENTERS WAR
V-E DAY
V-J DAY
0
2
4
6
8
10
12
14
16
18
20
22
24
25
0
20
40
60
80
100
120
140
160
180
200
220
240
250
1920
1925
1930
1935
1940
1945

APARTMENT BOND PRICES BEGIN RECOVERY

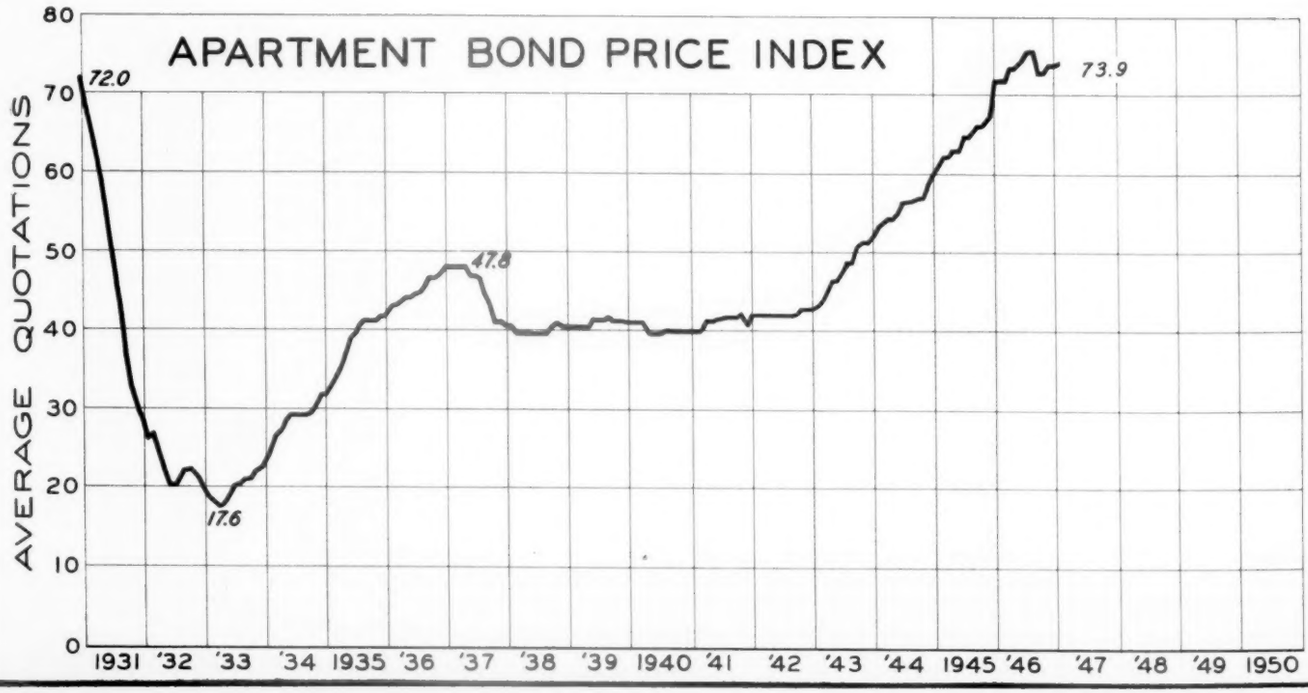
THE index of apartment bond prices below shows that the values of apartment bonds have begun to recover from their slump following last fall's stock market drop.

The twenty-five issues selected for this index cover properties in 14 cities. The particular issues used were selected because they are sufficiently active to secure regular quotations. Issues which had complicated reorganization plans were avoided.

It was found impossible to carry the bond index back further than 1931, as prior to that time the market for real estate bonds was artificially supported by underwriting houses, regardless of the conditions of the individual properties. The rapid declines in 1931 came when the underwriters stopped supporting the market.

INDEX OF APARTMENT BOND PRICES

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947
Jan.	72.0	28.0	19.8	23.1	31.7	41.4	47.8	40.2	40.2	40.6	39.8	41.5	42.5	51.9	59.6	71.8	73.5
Feb.	69.1	26.3	18.6	24.0	32.7	42.6	47.8	40.2	40.2	41.0	39.8	41.5	43.1	53.0	60.8	71.8	73.9
Mar.	66.3	26.8	18.0	26.1	33.7	43.0	47.8	39.4	40.2	41.0	40.0	41.5	43.6	53.5	62.0	71.8	
Apr.	63.6	24.7	17.6	26.9	35.0	43.4	47.8	39.4	40.2	41.0	40.8	41.5	44.9	54.0	62.0	73.2	
May	59.2	22.2	18.0	28.2	36.8	43.8	47.8	39.4	40.2	39.4	40.8	41.5	46.2	54.0	62.6	73.2	
June	54.4	20.0	19.6	29.0	38.7	43.8	46.9	39.4	41.0	37.6	41.2	41.5	46.2	55.1	62.6	73.9	
July	50.1	20.0	20.0	29.0	39.5	44.2	46.9	39.4	41.0	38.2	41.2	41.5	47.4	56.3	64.5	74.6	
Aug.	45.6	20.6	20.2	29.0	40.6	44.6	46.4	39.4	41.0	39.8	41.4	41.5	48.4	56.3	64.5	75.4	
Sept.	41.5	22.0	20.8	29.0	41.0	45.5	44.5	39.4	41.4	39.8	41.4	41.5	48.4	56.5	65.1	75.4	
Oct.	36.5	22.0	20.8	29.3	41.0	46.4	43.2	40.2	41.0	39.8	41.4	41.7	50.4	56.8	65.8	72.4	
Nov.	32.1	21.7	21.6	29.9	41.0	46.4	40.6	40.6	41.0	39.8	41.8	42.5	50.9	56.8	65.8	72.4	
Dec.	29.2	20.8	22.0	31.4	41.4	47.3	40.6	40.2	41.0	39.8	40.5	42.5	50.9	58.5	67.1	73.5	



REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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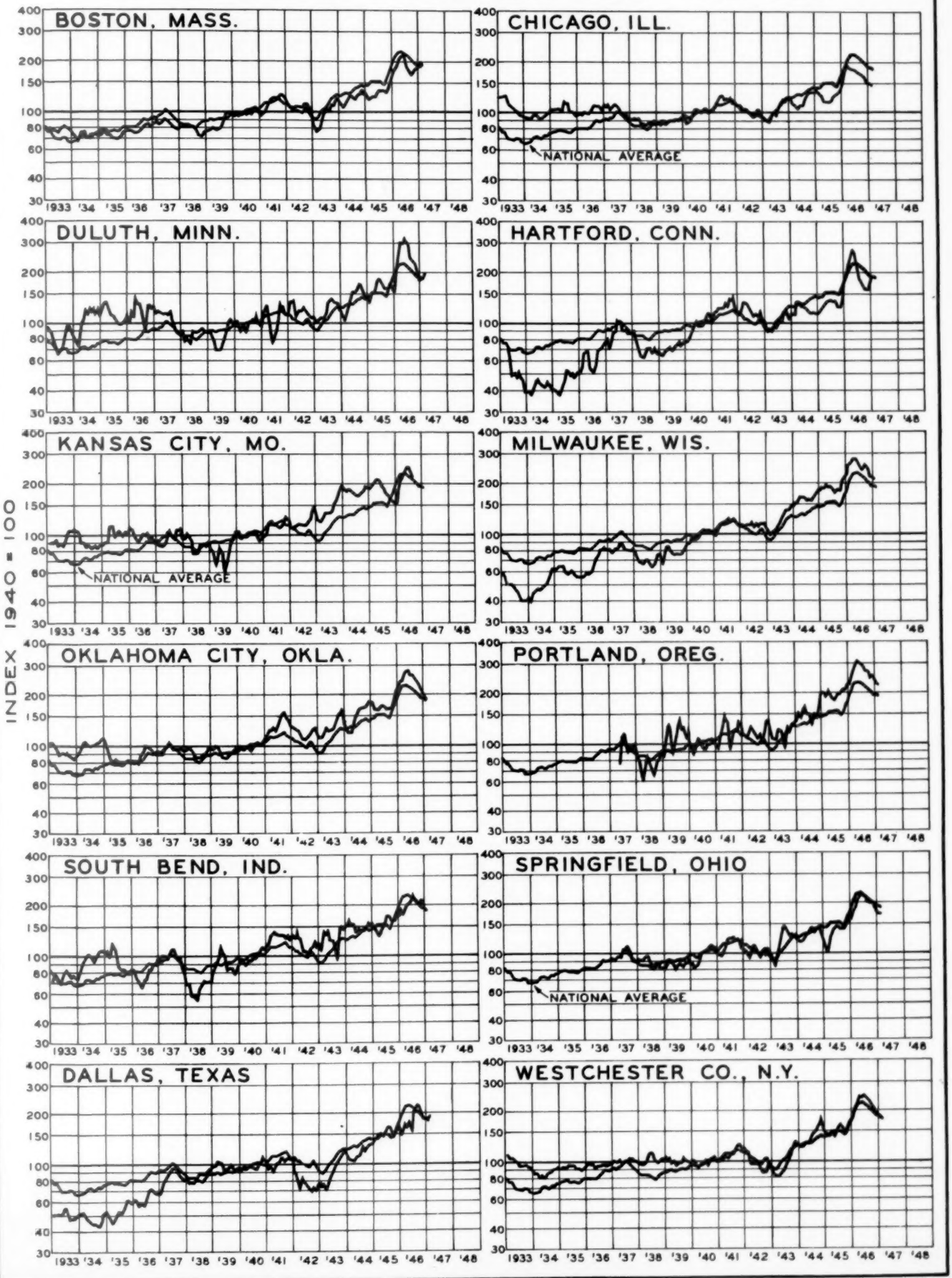

ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS STARTED

1900	240,000	1910	475,000	1920	247,000	1930	330,000	1940	602,500
1901	340,000	1911	480,000	1921	449,000	1931	254,000	1941	715,200
1902	360,000	1912	490,000	1922	716,000	1932	134,000	1942	496,600
1903	400,000	1913	455,000	1923	871,000	1933	93,000	1943	350,000
1904	440,000	1914	445,000	1924	893,000	1934	126,000	1944	169,000
1905	480,000	1915	475,000	1925	937,000	1935	221,000	1945	225,300
1906	480,000	1916	480,000	1926	849,000	1936	319,000		
1907	440,000	1917	230,000	1927	810,000	1937	336,000		
1908	440,000	1918	120,000	1928	753,000	1938	406,000		
1909	580,000	1919	330,000	1929	509,000	1939	515,000		

MONTHLY FIGURES

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939	32,300	30,700	42,900	42,900	53,300	45,900	44,200	51,200	42,400	42,900	45,100	41,200
1940	25,700	36,900	46,000	62,900	57,000	44,100	57,600	55,800	58,400	66,200	44,900	47,000
1941	41,200	43,700	60,200	75,200	70,700	77,200	74,600	69,800	67,000	56,200	46,600	32,800
1942	34,500	51,300	52,700	59,700	60,600	46,300	26,700	27,500	40,400	32,200	30,400	34,300
1943	45,000	40,100	33,000	26,700	33,600	21,800	24,200	27,600	24,300	28,100	26,100	19,500
1944	17,300	13,500	18,100	14,300	16,500	17,500	14,500	12,800	11,300	10,800	11,600	10,800
1945	7,600	8,400	12,300	18,300	16,900	20,300	20,100	17,100	17,900	25,500	30,600	30,300
1946	41,200	50,500	68,900	79,400	83,900	79,400	80,200	80,700	65,500	58,500	49,800	40,400
1947	42,100											

CUMULATIVE FIGURES

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939	32,300	63,000	105,900	148,800	202,100	248,000	292,200	343,400	385,800	428,700	473,800	515,000
1940	25,700	62,600	108,600	171,500	228,500	272,600	330,200	386,000	444,400	510,600	555,500	602,500
1941	41,200	84,900	145,100	220,300	291,000	368,200	442,800	512,600	579,600	635,800	682,400	715,200
1942	34,500	85,800	138,500	198,200	258,800	305,100	331,800	359,300	399,700	431,900	462,300	496,600
1943	45,000	85,100	118,100	144,800	178,400	200,200	224,400	252,000	276,300	304,400	330,500	350,000
1944	17,300	30,800	48,900	63,200	79,700	97,200	111,700	124,500	135,800	146,600	158,200	169,000
1945	7,600	16,000	28,300	46,600	63,500	83,800	103,900	121,000	138,900	164,400	195,000	225,300
1946	41,200	91,700	160,600	240,000	323,900	403,300	483,500	564,200	629,700	688,200	738,000	778,400
1947	42,100											

12-MONTH MOVING TOTALS

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1939												515,000
1940	508,400	514,600	517,700	537,700	541,400	539,600	553,000	557,600	573,600	596,900	596,700	602,500
1941	618,000	624,800	639,000	651,300	665,000	698,100	715,100	729,100	737,700	727,700	729,400	715,200
1942	708,500	716,100	708,600	693,100	683,000	652,100	604,200	561,900	535,300	511,300	495,100	496,600
1943	507,100	495,900	476,200	443,200	416,200	391,700	389,200	389,300	373,200	369,100	364,800	350,000
1944	322,300	295,700	288,000	268,400	251,300	247,000	237,300	222,500	209,500	192,200	177,700	169,000
1945	159,300	154,200	148,400	152,400	152,800	155,600	161,200	165,500	172,100	186,800	205,800	225,300
1946	258,900	301,000	357,600	418,700	485,700	544,800	604,900	668,500	716,100	749,100	768,300	778,400
1947	779,300											

ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS COMPLETED

	NEW PERMANENT UNITS						TEMPORARY RE-USE, CONVERSIONS AND TRAILERS	
	Monthly			Cumulative			Monthly	Cumulative
1946	Conventional	Factory-Built	Total	Conventional	Factory-Built	Total		
Jan.	17,500	1,200	18,700	17,500	1,200	18,700	6,200	6,200
Feb.	18,700	1,600	20,300	36,200	2,800	39,000	7,700	13,900
Mar.	20,400	2,200	22,600	56,600	5,000	61,600	8,600	22,500
Apr.	23,800	2,600	26,400	80,400	7,600	88,000	9,200	31,700
May	27,200	3,100	30,300	107,600	10,700	118,300	9,600	41,300
June	31,500	3,400	34,900	139,100	14,100	153,200	11,700	53,000
July	36,900	4,100	41,000	176,000	18,200	194,200	13,300	66,300
Aug.	38,300	3,900	42,200	214,300	22,100	236,400	17,100	83,400
Sept.	46,000	3,800	49,800	260,300	25,900	286,200	31,400	114,800
Oct.	49,600	4,900	54,500	309,900	30,800	340,700	30,300	145,100
Nov.	51,500	3,600	55,100	361,400	34,400	395,800	27,700	172,800
Dec.	55,200	2,800	58,000	416,600	37,200	453,800	35,300	208,100